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CONSOLIDATED GOLD FIELDS OF SOUTH AFRICA, LIMITED

Address by Mr. H. C. PORTER,

Chairman of the Company.

To be delivered to the Members at the Ordinary General Meeting to be held at the Chartered Insurance Institute, on Thursday, the 4th December, 1941, at 12 noon.

LADIES AND GENTLEMEN,—In our report this year it has not been possible to furnish Shareholders with the very full information regarding our various interests which has been customary in the past, owing to the extremely limited amount of paper at our disposal. We hope, however, that they will avail themselves of the opportunity of reading, at 49, Moorgate, the reports of our Consulting Engineer in Johannesburg and of the Chairman of the American Advisory Committee.

In the Profit and Loss Account of New Consolidated Gold Fields Limited, Dividends, Profits, etc., amount to £723,501, compared with £739,218, a small decrease of £15,717. Profits on Sales of Investments were less by £116,000 opportunities for profitable realisation having been rare until the closing months of the year; dividends received were slightly higher than last year owing to a payment made by Gold Fields American. Our revenue, however, in general has been detrimentally affected by taxation. In South Africa, the Gold Mining Companies have in many cases made substantial cuts in the dividend distributions, while in the case of Companies registered in this country the effect of Excess Profits Tax, particularly in the case of those operating in West Africa, which have but recently come to full production, has been even more marked.

Full provision has, as in former years, been made for any doubtful ventures and loans.

On the other side of the Account the item Rent, etc., shows a small decrease at £49,872, compared with £53,924. I must, however, warn Shareholders that they must expect some increase on this figure in view of present conditions.

Subscriptions and Donations and the Staff Provident Fund do not show much alteration from last year's figures.

The profit carried to the Appropriation Account is £653,917, about £10,000 less than last year.

Preference Dividends call for no comment, nor does the amount of £9,977 charged for South African taxation.

This year, however, we have to provide £200,000 for United Kingdom taxation, against nothing last year, in view of the rise in value which took place during the year in our holdings.

Owing to the recovery in value mentioned there is no necessity again for the heavy provision for Depreciation which we made last year. We have, however, provided the normal £100,000 in accordance with the principles which were explained to Shareholders some years ago.

Bringing in the balance from last year of £162,025, there is a Profit available for distribution of £380,764 and a dividend of 2s. 0d. per share, less tax, has been declared, amounting to £228,623, which will leave £152,141 to carry forward.

The payment of this dividend enables your Company to distribute a similar amount and carry forward £9,673, the same amount as last year.

Reverting to the New Company, on the Liabilities side of the Balance Sheet the Reserve Account is unaltered at £1,000,000.

Sundry Creditors £1,029,512, compared with £816,789 last year, an increase due mainly to the provision for United Kingdom taxation already mentioned.

The Contingent Liabilities are lower by £216,433. Loans which we provided last year as Contingent Liabilities have been actually advanced to certain non-producing Companies in which we hold interests.

On the Assets side Investments are £128,938 lower, Sales at Cost being in excess of purchases.

The Gilt-edged holdings are higher by £167,000.

The remaining items call for no particular comment. Where changes have taken place they are in the ordinary course of business.

The liquid position is very strong. Including Gilt-edged holdings it was at 30th June well over £2,000,000, an increase of £370,000 over last year's figure.

I regret that the form in which our report is set up has prevented us from inserting for comparison the figures of the accounts of the previous year.

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It will be seen in our report that we have decided to discontinue until further noti practice of paying interim dividends. Many factors contributed to this decision, among them bei uncertain date of arrival of material accounts from overseas, the shortage of paper, cost of distrib and last, but not least, the constant depletion of our staff.

In my address last year I informed you that after the close of the financial year which wa subject of my review, a marked change for the better in the fortunes of our Company came ab and it is gratifying to be able to report to you that the improvement which began at that dat continued throughout the year with which I am now dealing.

The scale of taxation of the gold mines in the South African Union has been considerably increased. As mentioned in the Directors' report, the Special Contribution has been raised to 16 per cent and, in addition to the regular taxation, the mines continue to pay the Government a special charge in lieu of realisation costs amounting at present to 41s. 3d. per cent of the realised value of gold, which is actually purchased free of charge by the British Government. It is estimated that the present rate of taxation on the gold mines amounts to 11s. in the £ on taxable income compared with 3s. 6d. in the £ for other public companies. The industry is to-day, with gold at 168s. per ounce fine, considerably worse off than it was when the price was restricted to 150s. per ounce fine.

A new dividend tax has been imposed on non-resident shareholders, and this is estimated to yield about £700,000 to the Union Government.

The direct result of the increased taxation has been a substantial reduction in the amount declared in dividends, notwithstanding the expansion in operations, so that shareholders in gold mining companies are making increased contribution to the Union's war effort. The mining industry accepts that it should pay its full share of the cost of the war, but the imposition of the tax on shareholders outside the Union is not calculated to encourage the investment of overseas capital for the development of new mines when the war is over, although it is to be hoped that when that day comes the Government in power will eliminate this special tax and, in fact, reduce all forms of taxation on the industry to reasonable proportions in order to foster expansion.

There was a considerable increase in the labour strength of the industry, both in Europeans and natives employed. The supply of native labour has been the greatest in the history of the Witwatersrand, the peak figure having been attained in February last, when the total amounted to 372,920. The increase was especially marked in the case of natives from the Union and adjacent territories who are classified as "British South Africa natives." This increase is attributable to the efficiency of the Native Recruiting Corporation and to the economic importance of the mining industry in the life of the native peoples.

On the Gold Coast there has been an adequate supply of native labour, but skilled European staff is increasingly difficult to obtain. Operating costs have risen owing to the higher cost of all essential supplies, but up to the present no serious shortage of supplies has occurred.

The Excess Profits Tax has fallen with particular severity on the West African Gold Mining Industry which, for the greater part, only reached full production after the standard period. Though certain concessions have been embodied in recent Finance Acts, their actual value remains to be determined and no effective relief has yet been secured.

That completes my review of our operations and, bearing in mind the difficulties of the times through which we are passing, I trust Shareholders will regard them as not unsatisfactory.

Mr. J. Bradshaw, who had been with the Company for 41 years and who was appointed Joint Secretary in March, 1919, and Secretary in January, 1932, has retired and we are pleased to record our appreciation of the service he has rendered to the Company.

Mr. H. S. Emlaw, who had served the Gold Fields American Development Company since 1919 and for many years was a member of the Advisory Committee in America, retired from that office in September last: he retains, however, the post of Consulting Engineer to that Company and we are very glad that his valuable advice will still be available to us.

I feel sure that you would wish to join with the Board in sending to all members of our staff who are on active service or on any duties connected with the war effort, our best wishes for their welfare, and also our thanks to those who still remain in their normal occupations and are cheerfully carrying out the increased duties which they have been called upon to perform.

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THE CONSOLIDATED GOLD FIELDS OF SOUTH AFRICA, LIMITED

Address by Mr. H. C. PORTER,

Chairman of the Company.

To be delivered to the Members at the Ordinary General Meeting to be held at The Chartered Insurance Institute, on Thursday, the 3rd December, 1942, at 12 noon.

LADIES AND GENTLEMEN,—The report which we have issued to you is drawn up on lines designed to give the maximum information in the minimum of space. The reports of our Consulting Engineer and of the Chairman of the American Advisory Committee are open to the inspection of shareholders at 49, Moorgate, and I trust that they will avail themselves of the opportunity afforded them.

Turning to the Accounts, you will notice that we have this year been able to resume the insertion of the results for the preceding year, for comparison.

On the credit side of the Profit and Loss Account of New Consolidated Gold Fields Limited, Dividends, Profits, etc., amount to £842,949, an increase of £119,448 over last year's figure.

During the first six months of the financial year with which I am now dealing, the activity in the share markets both in London and Johannesburg enabled us to conduct profitable operations, but in the second half of the year the varying fortune of the war had considerable influence on the Stock Exchanges, with the result that fluctuations in prices were more marked and periods of inactivity more prolonged.

As mentioned in the Directors' Report, the scale of taxation of the gold mines in the South African Union has been further increased, the Special Contribution having risen from 16 per cent to 20 per cent, effective from 1st January of this year. This increase and taxation generally has had a direct bearing on the reduction in the amount of dividends received from various sources during the year.

On the other side of the account, the item Rent, etc., owing to the decrease in salaries occasioned by release of staff for work of national importance, shows a reduction of £3,646, this being contrary to the expectation which I expressed last year. I must, however, repeat my warning that it is quite probable that this item may increase in the future.

Subscriptions and Donations and Staff Provident Fund do not call for any particular comment.

The balance carried to the Appropriation Account is £776,039, an increase of £122,122 over last year's figure, due in the main to the increased profit on sales of investments.

The Preference Dividends have cost the Company less, owing to the increase in the standard rate of Income Tax and to the decrease in the Dominion Income Tax relief arising thereon. South African taxation is higher by £8,589 and provision has been found necessary of the sum of £276,000 for United Kingdom taxation, compared with the £200,000 provided last year. This provision is for all Income Tax and National Defence Contribution payable in respect of the profits of the Company up to and including those for the year covered by these accounts.

The usual provision of £100,000 for Depreciation Reserve has been made.

Bringing in the balance from last year of £152,140 there remains a profit available for distribution of £430,949, and a dividend of 2s. 0d. per share, less tax, has been declared amounting to £206,077 which will leave £224,872 to carry forward.

The payment of this dividend enables The Consolidated Gold Fields of South Africa, Limited, to distribute a similar amount and carry forward £9,673, the same amount as last year.

On the liabilities side of the Balance Sheet of the new Company, the Reserve Account is unaltered at £1,000,000.

Sundry Creditors on Deposit Account show an increase of £138,751, and on Current Account an increase of £190,910, partly due to the additional provision for Income Tax, from which, however, we have deducted the cost of Tax Reserve Certificates bought in anticipation of future liability.

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The Contingent Liabilities show a decrease of £119,933, owing, as was the case last year, to loans which had been provided as contingent liabilities having been actually advanced during the year.

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On the Assets side, gilt-edged investments are higher by £300,000, while shares in other companies and in subsidiary companies taken together are lower by £62,878, mainly owing to the Reserve for Depreciation of £100,000 mentioned earlier. Cash advances and mortgages are less by £222,390, due to the conversion during the year of our loan to the Vlakfontein Company into shares.

The remaining items call for no particular comment.

The liquid position again is very strong. Including gilt-edged holdings it was at 30th June over £2,200,000.

At the outbreak of war, the Witwatersrand Mining Industry, with the full approval of the Government, decided to maintain operations as far as possible and that policy has been adhered to. The Industry has also continued to release volunteers for military service, in so far as this could be done without seriously affecting the maintenance of operations, and has continued the production of munitions, in addition to which a number of mechanics have been made available for ship repairs and other work of national importance.

In order to carry out all this it has been necessary to engage temporarily a number of male employees over military age and as many female workers as can be employed in various clerical posts and in munitions work. An analysis of the European labour position as at 30th June, 1942, shows, however, that the limit of releases and replacements has about been reached. The labour strength was maintained during the year.

The problem of obtaining an adequate supply of materials has become a very difficult one. In August, 1941, the Industry made an arrangement with our American Company under which the New York office of that Company represents the Transvaal Chamber of Mines and co-operates with the South African Purchasing Commission in endeavouring to expedite the shipment to South Africa of essential supplies which were only procurable in the United States under conditions then existing. Notwithstanding the difficulties obtaining even at that time with regard to exports from the United States, the arrangements gave promise of proving advantageous, but subsequent developments in the war situation altered the whole outlook, the increasing shortage of shipping being followed by the outbreak of hostilities between the United States and Japan. This greatly accentuated the difficulties in respect of important stores, and drastic measures became necessary in an endeavour to meet the situation.

In April of this year, consequent upon the entry of the United States into the war, fresh arrangements had to be made and important conferences between representatives of America and South Africa have been taking place and it is hoped that before long a satisfactory solution will be found for this very difficult matter.

The Industry's scale of operations is now considered to have reached its peak under wartime conditions as the result of stringency in the supply of mine stores and the restriction in the supply of European employees.

On the Gold Coast, operating difficulties have continued to increase owing to rising prices of all commodities and to scarcity of certain essential supplies. In consequence, several properties have had to curtail production, and operating costs continue to rise.

No decision has yet been reached on the effect of proposed allowances in respect of Excess Profits Tax, the full burden of which is still being borne by the Industry in West Africa.

Since the outbreak of war over 1,000 members of our organisations in London and South Africa have joined the military forces. It is with the deepest regret that I have to report that 18 of them have lost their lives and we extend our profound sympathy to their relatives in their bereavement. Other casualties include a large number of men either wounded, missing or prisoners of war and we desire to express our earnest hope for their well-being. In addition to those on active service many of our staff both here and abroad are engaged in various forms of National service.

It is, again, my pleasant duty to bring to the notice of shareholders, the devoted duty which is being performed by all members of our staff who are engaged in the conduct of the Company's business.